

DECEMBER 23, 2024

FACT SHEET: President Biden Takes Action to Protect American Workers and Businesses from China's Unfair Trade Practices in the Semiconductor Sector

A resilient and secure supply of foundational semiconductors is critical to U.S. national and economic security. These semiconductors are essential to key sectors of the U.S. economy, powering cars, medical devices, critical infrastructure, key aerospace and defense systems, and the goods and services we rely on every day.

The People's Republic of China (PRC) routinely engages in non-market policies and practices, as well as industrial targeting, of the semiconductor industry that enables PRC companies to significantly harm competition and create dangerous supply chain dependencies in foundational semiconductors.

Today, the Biden-Harris Administration is taking additional action to protect American workers and businesses from the PRC's unfair trade practices in the semiconductor sector and support a healthy domestic industry for foundational semiconductors.

These actions include:

Launching a Section 301 investigation to examine the PRC's targeting of foundational semiconductors.

The Office of the U.S. Trade Representative is launching a Section 301 investigation to examine the PRC's targeting of foundational semiconductors (also known as legacy or mature node chips) for dominance and the impact on the U.S. economy.

In addition, the investigation will initially assess the impact of the PRC's acts, policies, and practices on the production of silicon carbide substrates or other wafers used as inputs into semiconductor fabrication.

PRC semiconductors often enter the U.S. market as a component of finished goods. This Section 301 investigation will examine a broad range of the PRC's non-market acts, policies, and practices with respect to the semiconductor sector, including to the extent these semiconductors are incorporated as components into downstream products for critical

industries like defense, automotive, medical devices, aerospace, telecommunications, and power generation and the electrical grid.

Awarding and catalyzing billions of dollars in semiconductor manufacturing projects across the country.

The Biden-Harris Administration has championed efforts to ensure more chips are made in America by American workers, in particular through CHIPS and Science Act funding, which allocates at least \$2 billion for mature semiconductors. This was a key part of President Biden's vision for renewing American economic leadership and a vibrant American industrial base.

The United States is investing across the semiconductor supply chain—including the upstream materials critical to chip manufacturing such as silicon carbide and wafers. To date, the Department of Commerce has catalyzed billions of dollars in private sector investments that will serve the American auto and defense industries, including the Texas Instruments projects in Texas and Utah, the GlobalFoundries projects in Vermont and New York, and the Bosch project in California. Many of these investments also include supply agreements with customers across critical infrastructure industries to maximize the predictability, volume, and quality of domestically manufactured chips needed to power complex technology. These investments are compounded and sustained by this Administration's 48D Advanced Manufacturing Investment Credit, which will provide up to a 25% tax incentive for the manufacturing of semiconductors, semiconductor manufacturing equipment, and wafer production.

Reducing national security risks in federal supply chains.

Semiconductors are key components of U.S. critical infrastructure that have many military applications. It is vital that federal agencies procure secure and trusted chips.

To clean up federal procurement of semiconductors, the Biden-Harris Administration is:

- Implementing a statutory provision in the James M. Inhofe National Defense Authorization Act for FY 2023 that prohibits executive agencies from procuring or obtaining products and services that include chips from certain Chinese fabs and other entities of concern.
- Releasing a [Request for Information \(RFI\)](#) to gauge the best ways for government contractors to scale up their use of domestically manufactured chips, particularly for critical infrastructure. The RFI intends to solicit commercial ideas from industry that may inform future policymaking in support of the government-wide effort to leverage existing manufacturing capacity.

- Issuing guidance to help the Federal Government – the world's largest buyer – organize its demand for domestic semiconductors so that agencies can mitigate the risk posed by undue dependence on foreign manufacturing, limited competition, and possible higher manufacturing costs. This effort includes agencies developing strategies to dual or multiple source semiconductors, increasing transparency for critical infrastructure supply chains, and providing the government's demand for the products and services that use these chips.

Prioritizing supply chain resilience and bolstering our toolkit to address non-market policies and practices.

President Biden made supply chain resilience a Day One priority in his Administration. The first-ever U.S. Government Quadrennial Supply Chain Review, published on December 19, provides an in-depth assessment of the United States' critical supply chains, actions taken over the last four years to make each supply chain more resilient, and necessary steps to increase U.S. resilience in the future.

The Review includes a comprehensive strategy to respond to non-market policies and practices because they pose a significant challenge in critical industries covered in the supply chain report. The strategy details the types of comprehensive action necessary to combat non-market policies and practices, including procurement policies.

Working with our partners around the world to strengthen cooperation on semiconductor supply chains and address shared concerns about China's unfair practices.

Semiconductor supply chains are critical not only to the United States but to all of our allies and partners. The Biden-Harris Administration has closely consulted with allies and partners on promoting economic resilience and addressing the PRC's non-market practices in the semiconductor supply chain, including through the following efforts:

- The State Department launched the CHIPS and Science Act's International Technology Security and Innovation (ITSI) Fund, which has thus far partnered with eight countries – Costa Rica, Panama, Vietnam, Indonesia, India, Kenya, the Philippines, and Mexico – to promote semiconductor supply chain development, security, and diversification.
- The Department of Commerce announced the Indo-Pacific Economic Framework for Prosperity (IPEF) Agreement Relating to Supply Chain Resilience with 13 diverse partner countries across the Indo-Pacific, led by the United States, to coordinate more resilient supply chains for semiconductors and other industries.
- Within the G7, the United States has championed efforts to bolster economic resilience and address harmful market distortions and global excess capacity in key sectors

resulting from non-market policies and practices. This led to the establishment of mechanisms to jointly monitor and respond to these detrimental practices, including in the semiconductor sector.

President Biden recognizes the benefits for our workers and businesses from strong alliances and a rules-based international trade system based on fair competition. The Biden-Harris Administration will continue to collaborate with allies and partners on this critical issue in the coming days and weeks.

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